

Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying at the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-Amex-96-30 and should be submitted by September 3, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

Jonathan G. Katz,  
Secretary.

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[Release No. 34-37528; File No. SR-NASD-95-61]

**Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Extension of Public Comment Period for Proposed Rule Change**

August 5, 1996.

On December 22, 1995,<sup>1</sup> the National Association of Securities Dealers, Inc. ("NASD" or "Association") filed a proposed rule change with the Securities and Exchange Commission ("SEC" or "Commission"). The NASD proposes to amend NASD Rules 2820 and 2830 to revise existing rules applicable to the sale of investment company securities and establish new rules applicable to the sale of variable contracts.

Notice of the proposed rule change was provided by the issuance of a Commission release (Securities Exchange Act Release No. 37374, June 26, 1996) and by publication in the Federal Register (61 FR 35822, July 8, 1996).

The Commission has been requested to extend the time period for public comment on the proposed rule change.<sup>2</sup>

<sup>8</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> On June 14, 1996, the NASD filed Amendment No. 1 with the Commission. Amendment No. 1 addresses the relationship of the proposed rule change to industry initiatives concerning compensation practices, expands the scope of the proposed rule change to govern all sales targets, whether or not previously specified and replaces the term "variable contract securities" with the term "variable contract." See Letter from John M. Ramsay, Deputy General Counsel, NASD to Katherine A. England, Assistant Director, Division of Market Regulation, SEC (June 14, 1996).

<sup>2</sup> By letter dated August 5, 1996 the NASD has consented to an extension of the comment period.

The Commission hereby extends the period for public comment on the proposed rule change until August 19, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>3</sup>

Jonathan G. Katz,  
Secretary.

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[Release No. 34-37523; File No. SR-PTC-96-04]

**Self-Regulatory Organizations; The Participants Trust Company; Notice of Filing of Proposed Rule Change Relating to the Elimination of Prefunding Requirements for Intraday Free Retransfers**

August 5, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on July 2, 1996, the Participants Trust Company ("PTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-PTC-96-04) as described in Items I, II, and III below, which Items have been prepared primarily by PTC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

**I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

The proposed rule change will amend PTC's rules to eliminate the requirement that participants prefund free redeliveries ("free redeliveries") involving securities that were received by a participant versus payment that same day.

**II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, PTC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. PTC has prepared summaries, set forth in sections (A), (B)

and (C) below, of the most significant aspects of such statements.<sup>2</sup>

**(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

The purpose of the proposed rule change is to amend PTC's rules to eliminate the requirement that participants must have cash on deposit ("optional deposits") with PTC equal to the original contract value for securities that are received the same day versus payment prior to making an intraday free redelivery of such securities. These optional deposits are commonly referred to as "prefundings."

The requirement that participants prefund intraday free redeliveries was added to PTC's rules by MBS Clearing Corporation ("MBSCC"), predecessor to PTC.<sup>3</sup> The purpose of the prefunding requirement was to support the original deliverer's security interest ("DSI") and the default provisions which permitted PTC to reverse (*i.e.*, unwind) securities deliveries to achieve settlement, both of which were added to PTC's rules at the same time.<sup>4</sup> Both the DSI and the unwind procedures subsequently have been eliminated from the PTC rules and have been replaced with the participant's intraday collateral lien ("PICL").<sup>5</sup>

The PICL, which can be exercised only if PTC is insolvent and fails to achieve settlement, is granted to those participants with a net credit balance

<sup>2</sup> The Commission has modified the text of the summaries prepared by PTC.

<sup>3</sup> In 1988, MBSCC proposed a rule change to require its participants to prefund intraday free transfers. Securities Exchange Act Release No. 26101 (September 22, 1988), 53 FR 37895 [File No. SR-MBS-88-14] (notice of filing of proposed rule change). Subsequently, the order granting PTC's registration as a clearing agency incorporated the proposed rule change stating that PTC's rules were essentially identical to MBSCC's rules including the most recently proposed rule changes. Securities Exchange Act Release No. 26671 (March 31, 1989), 54 FR 13266, [File No. 600-25] (order granting registration as a clearing agency and statement of reasons).

<sup>4</sup> PTC's rules originally provided that securities delivered versus payment (*i.e.*, held in a participant's transfer account) were held by PTC pending settlement subject to the DSI granted to the original delivering participant. If securities were thereafter redelivered free from a transfer account, the secured party would lose its collateral unless prefunding served as proceeds of that collateral. Accordingly, participants that made a free delivery of securities subject to a DSI were required to have cash at least equal to the original contract value of the securities in the form of an optional deposit to the participants fund.

<sup>5</sup> For a more complete discussion of PTC's reasons for removing the DSI and the unwind procedures, refer to Securities Exchange Act Release No. 34701 (September 22, 1994), 59 FR 49730 [File No. SR-PTC-94-03] (order approving proposed rule change).

See letter from John M. Ramsay, Deputy General Counsel, NASD Regulation, Inc. to Katherine A. England, Assistant Director, Division of Market Regulation, Commission.

<sup>3</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1) (1988).